REAL ESTATE

Vol. 3, No. 1

OUTLOOK

January 1990

A Monthly Forecast for the Economy and Real Estate

FORECAST SUMMARY

- The Commerce Department made its final revision to third quarter real GNP growth, raising the estimate 0.3 percentage points, on top of last month's 0.2 percentage point revision, to a final estimate of 3.0 percent. Despite the string of upward adjustments, the fourth quarter real GNP number is not likely to be nearly as strong, as growth in virtually every sector of the economy has slowed markedly.
- With the economy apparently at a virtual standstill, the Federal Reserve is expected to continue to allow short-term interest rates to slide through the first half of this year. Interest rates are likely headed down at both ends of the yield curve. As the Fed continues to ease credit during the opening months of the new year, the economy is expected to gradually return to near-trend growth, followed closely by a firming up in rates.
- Private housing starts fell in November to a seasonally adjusted annual rate of 1.361 million units, down 4.7 percent from their October annual rate of 1.428 million units. Despite the November slip, single-family housing starts may be poised for further advances in early 1990, due to lower interest rates.
- Sales of existing single-family homes reached a seasonally adjusted annual rate of 3.59 million units in November, up 3.2 percent from the October annual rate of 3.48 million units. The November rate of 3.59 million homes marks the fastest monthly sales rate during all of 1989. Existing home sales appear to be benefiting substantially from the slide in mortgage interest rates.

IN THIS ISSUE

[redacted]

NATIONAL ASSOCIATION OF REALTORS®

REALTOR®

The Voice for Real Estate ™

Forecasting & Policy Analysis Division
NATIONAL ASSOCIATION OF REALTORS ®
777 14th Street, NW Washington, D.C. 20005

Copyright 1990 NATIONAL ASSOCIATION OF REALTORS®

AND THE WALLS CAME TUMBLIN' DOWN

Economic Commentary

by
John A. Tuccillo
Chief Economist
and Senior Vice President
Real Estate Finance

January is a clean slate; the year forward will always be one in which we correct our faults, mend our relationships and finally make that big deal. This January is even more special because it's the beginning of a decade, and we look a little bit farther down the road than we normally do. Economists, too, are swept up in that tide of optimism and sometimes see the rosy future that usually eludes their gaze.

Such is the case with the recent events in Eastern Europe. The tide of democracy that has swept over those recently bleak shores has surfaced a great many questions about what impact will reach these shores. In fact, they have managed to wake up many Americans to the "news" that Western Europe is in the process of building an economic superpower that will rival anything that the U.S. or the Pacific Basin will offer. Now, what if the two Europes can join forces?

Oddly enough, I think the political and economic changes that are occurring in the Soviet Bloc will, on balance, bring good news to the American economy. But it won't be an unmixed blessing.

Clearly, the biggest benefit we can derive from the opening of the East is the redirection or reduction of our defense establishment. The crying need for real investment in housing, education, health care, technological development and infrastructure that exists in this country will be well served by either a devotion of current Federal spending to those purposes or a reduction in interest rates caused by a fall in the Federal deficit.

But that redirection will have major impacts on those metropolitan areas which have built their economies around military spending. These range from areas with large military populations (which will be the first to be affected) to research centers. Moreover, if the Soviets can successfully redirect spending and realize the agricultural potential of their own economy, U.S. grain exports will suffer, and the farm economy with them. Should we see the reduction in military spending by both superpowers that is so widely forecast, the early part of the Nineties will see some painful adjustments in these areas.

To some extent, the adjustment process may well be made easier by the general economic benefits that will flow from a permanent detente. With or without a reduction in Federal borrowing, interest rates are headed lower in the Nineties because of a growing Social Security trust fund and the aging of the baby boom generation. If, in addition, the deficit falls dramatically (a five percent cut in military spending shaves $15-20 billion from Federal borrowing), interest rates plunge. This begins to make feasible the kinds of investment in technology that we need to restore our international competitiveness.

And if (to be cynical for a moment) the government finds that it must continue to spend money at the same level, the reduction in military necessity can fund new programs in housing, upgrades in our educational system, repairs to our roads and bridges, and the creation of new hospitals and clinics. This also sets the stage for a more competitive America.

All this suggests a scenario that is very un-economist. Falling interest rates combine with reduced and redirected Federal spending to adapt U.S. production processes to state-of-the-art technology and places the economy on a stable growth path. An improved educational system feeds the production process and enables us to meet, and exceed the economic challenges of a united Europe, a revitalized Soviet Union and a fully-developed Pacific rim. These are augmented by a health care system that accommodates a growing body of elderly, and a housing system that provides access at all income levels.

The rosy scenario has long been a staple of Washington life. Administrations present and past have hung their forecasts and their reputations on the contention that things will be better. So there are clearly other alternatives. In fact, if the Chicken Littles who have been assaulting the housing sector of late had their way, we'd all be headed for a major crisis of uncertainty about survival and prosperity. Why? Because the expansion has gone on too long, not because the fundamentals of the economy point that way. America has long been imbued with a blue-stocking fear that somewhere, someone was having fun and that person ought to be caught and stopped.

Will the Golden Age described above come about? The probabilities are less than 50 percent. But the good news is that they are higher now than they were six months ago. At the battle of Jericho, Joshua marched around the city seven times and ordered the Israelites to blow their trumpets. The walls came down and the way to the Promised Land was opened. Now the trumpets of democracy have sounded and another wall has fallen. And the result may be another opening to another garden.

Outlook for the Economy and Real Estate

THE ECONOMIC OUTLOOK

The Commerce Department made its final revision to third quarter real GNP growth, raising the estimate 0.3 percentage points on top of last month's 0.2 percentage point revision, to a final estimate of 3.0 percent. Despite the string of upward adjustments, the fourth quarter real GNP number is not likely to be nearly as strong, as growth in virtually every sector of the economy has slowed markedly. The news from several closely watched monthly indicators has not been good, and suggests the economy is advancing at an annual rate of only about 1.0 percent. This is well below the trend rate of growth of 2.5 percent, and means the risk of a recession has increased. However, the Federal Reserve has been responding to these signs of slower growth by loosening its grip on credit, and allowing interest rates to slide moderately lower. Our forecast remains one of cautious optimism: while we cannot rule out perhaps one quarter of negative growth, we still expect the economy to avoid a recession. Further, we expect the economy to quickly emerge from this brief slowdown and return to a trend rate of growth of near 2.5 percent later this year.

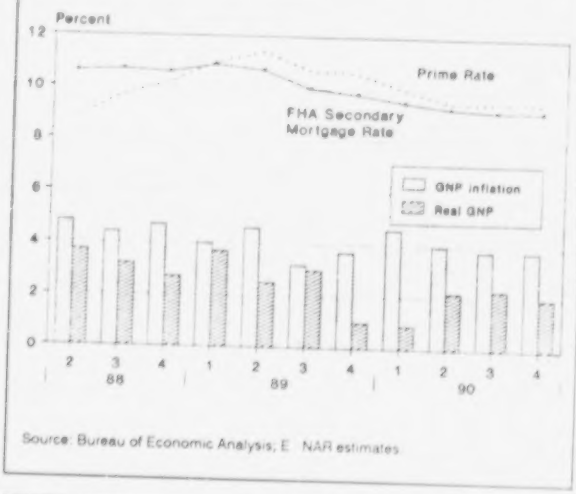
Employment Growth Remains Spotty

The report on December employment is the most recent indicator of a slowing economy, although its true meaning was clouded by a number of technical factors. The civilian unemployment rate remained unchanged at 5.3% during December, as both the labor force and household employment advanced by about 50,000. However, the December rise of 142,000 was helped by 55,000 workers returning from strikes, and was hurt by severe winter weather that trimmed construction employment by 38,000. Overall, the economy generated 2.5 million new jobs in 1989, and maintained a very stable rate of unemployment. Still, there have been some important trends emerging in the employment situation over the past year. Factories have laid off 195,000 workers since March, and even service-sector employment has had its reputation as the engine of job generation tarnished. Most of the recent growth in service employment continues to come from the health sector, instead of from business services which advanced by only 140,000 jobs in 1989 (compared to annual employment growth of 300,000-500,000 jobs during the opening six years of the current expansion).

Consumers Adjust Plans

Uncertainty regarding the economy has also crept into data on consumer confidence. According to the Conference Board, the December consumer confidence index declined to 113.1, down almost four percent since October. The index was markedly lower than the 119.4 reading of December 1988. The Conference Board says that the level of consumer confidence remains high. Still, the opinions of the 5,000 households surveyed during the first two weeks of December reflect less confidence in general business conditions, and more modest spending plans. In December 1989, 25.1% of those surveyed called business conditions "good," compared to 32.5% in December 1988. In December 1989, fewer respondents said they had plans to buy a house, car, or major appliance in the near future, than during the December 1988 survey.

GRAPH 1: THE ECONOMIC OUTLOOK

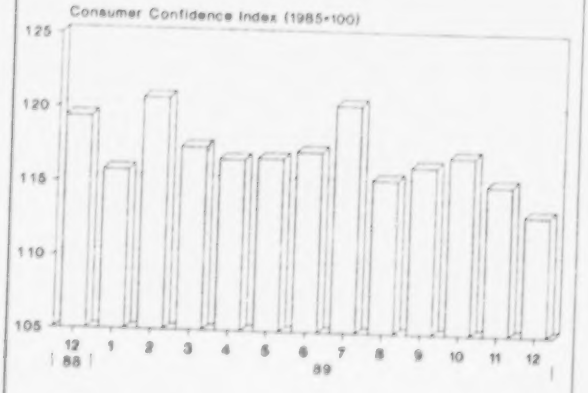


Source: Bureau of Economic Analysis; E. NAR estimates

GRAPH 2: UNEMPLOYMENT STAYS FLAT

Source: Bureau of Labor Statistics

GRAPH 3: CONSUMER CONFIDENCE WAVERS



Source: Conference Board

Mean Winters Can Mean Nasty Inflation

Despite any signs of a slowdown, consumer price inflation continued to advance at a rate of 4.7% for the twelve months ending in November 1989. The November monthly rise in the index of 0.4% was a bit higher than was expected, and came directly on the heels of a 0.5% monthly advance in October. Further, the November increase came despite declines in energy prices and transportation and clothing costs. The strength of the November price increases were focused in the medical and food components. Medical costs surged 0.8% in November, and have advanced 8.5% over the last 12 months. Food price increases were powered by sizable jumps in dairy prices. Producer prices declined in November for the third time in five months, lending some confusion to the inflation debate. It appears, however, that inflation worries are far from easing, particularly with the cold winter months expected to send tremors through the energy components of the price indices during the December-February period. The adequacy of seasonal factors aside, the core rate of inflation still seems to be about 4.25%.

Public, Residential Construction Spending Up

Construction spending rose to a seasonally adjusted annual rate of $421.7 billion in November, up from a revised $415.6 billion reported for October. Spending on both public construction and private residential construction contributed to the gain. The largest single contributor to the November rise was a 7% advance in spending for public construction projects to an annual rate of $91.4 million, which was nearly 11% above the November 1988 rate. Private residential construction spending increased by 0.6% in November to an annual rate of $194.4 million. However, private residential construction spending remained well below its November 1988 spending pace of $202 million. Non-residential construction spending fell by 0.7% in November to an annual rate of $100.7 billion, but it remained nearly 5% above its November 1988 rate.

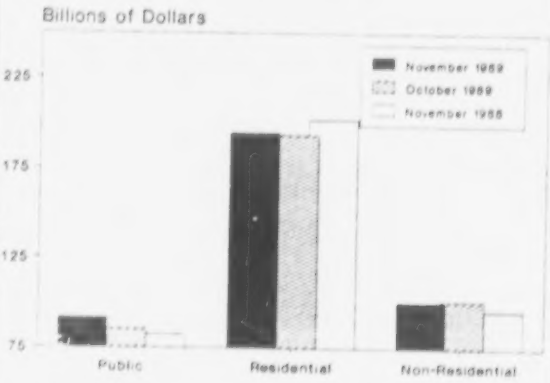
With Economy Flat, Rates Are Headed Down

With the economy apparently at a virtual standstill, the Federal Reserve is expected to continue to allow short-term interest rates to slide through the first half of this year. This is not to say that the Fed has abandoned its longstanding battle with inflation; the Fed will resume its fight with inflation around mid-year as signs emerge of a resurgence in economic growth. Until then, interest rates are likely headed down at both ends of the yield curve. In fact, most major banks just lowered the prime rate to 10%, the first cut in this symbolic rate since July 31, 1989. This rate cut will reduce interest rates on a wide range of adjustable rate consumer loans, including home-equity loans, car loans, and lines of credit. However, this is not expected to have a broad impact on the economy as consumer credit levels are still very high. In addition, recent revelations about loan losses in real estate and other areas, has led many banks to adopt more conservative lending practices. But as the Fed continues to ease credit during the opening months of the new year, the economy is expected to gradually return to near-trend growth, followed closely by a firming up in rates.

GRAPH 4: CONSUMER PRICES STILL RISING

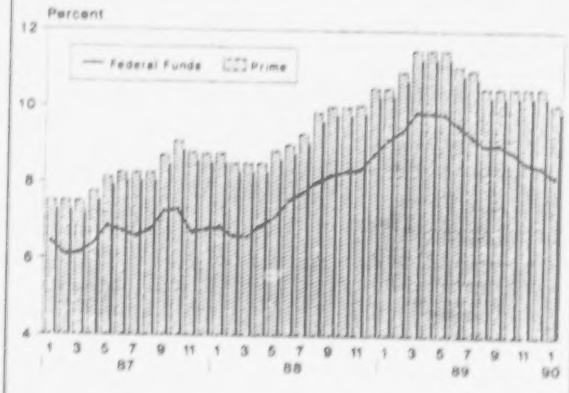
Source: Bureau of Labor Statistics

GRAPH 5: CONSTRUCTION SPENDING UP



Source: Dept. of Commerce

GRAPH 6: FED FUNDS, PRIME RATE DROP



Source: Federal Reserve

HOUSING STARTS

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

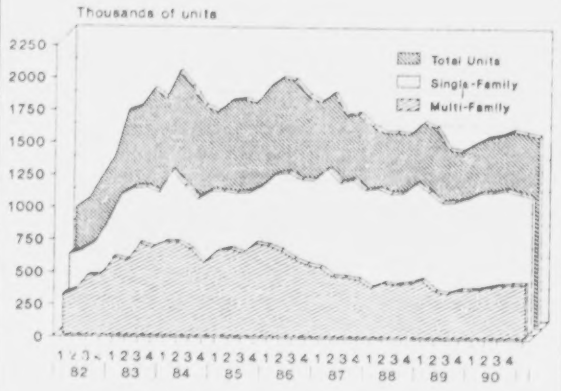
	Total	S-F	2-4	5 and up
Nov 1989	1361	1015	51	295
Oct 1989	1428	1024	61	343
Sep 1989	1264	971	57	236
Aug 1989	1329	990	56	283
Jul 1989	1420	1026	57	337
Nov 1988	1567	1138	68	361
Nov 1989 Changes From (%):				
Oct 1989	-4.7	-0.9	-16.4	-14.0
Nov 1988	-13.1	-10.8	-25.0	-18.3

REGIONAL DATA

	Northeast	Midwest	South	West
Nov 1989	186	305	495	375
Oct 1989	180	294	558	396
Sep 1989	161	248	486	369
Aug 1989	140	236	563	390
Jul 1989	189	274	531	426
Nov 1988	219	275	613	460
Nov 1989 Changes From (%):				
Oct 1989	3.3	3.7	-11.3	-5.3
Nov 1988	-15.1	10.9	-19.2	-18.5

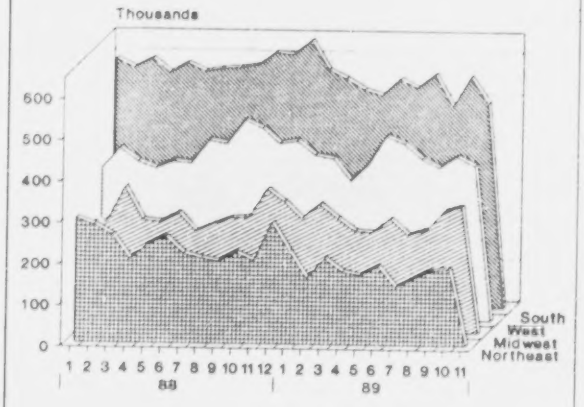
Source: Bureau of the Census; Construction Reports, Series C.20

GRAPH 7: HOUSING STARTS



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 8: HOUSING STARTS BY REGION



Source: Bureau of Census

Private housing starts fell in November to a seasonally adjusted annual rate of 1.361 million units, down 4.7 percent from their October annual rate of 1.428 million units. However, this decline comes immediately following a gain in new housing construction of 13% during October. Most of the weakness was centered in multi-family starts: starts of 2-4 units fell 16.4%, while starts of 5+ units fell 14.0%. Starts of single-family units fell only 0.9% from 1.024 million units in October, to 1.015 million units in November. Single-family starts activity was 10.8% slower than the November 1988 annual rate of 1.138 million units. Despite the November slip, single-family housing starts may be poised for further advances in early 1990, as lower interest rates brought about by the Fed's loosening will encourage some resurgence in housing construction.

By region, the Northeast and Midwest posted their third consecutive monthly advances, while starts slowed in the South and the West. In the Northeast, starts reached an annual rate of 186 thousand units, up 3.3% from October, but 15.1% below November 1988. In the Midwest, starts advanced to an annual rate of 305 thousand units, 3.7% faster than October, and 10.9% above the November 1988 pace. After rising nearly 15% in October, starts in the South fell 11.3% in November, and were 19.3% below the November 1988 rate. Starts in the West slipped 5.3 percent in November, after climbing 7.3% in October, and they were 18.5% below a year ago.

NEW HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Nov 1989	710	Apr 1989	607
Oct 1989	648	Mar 1989	555
Sep 1989	642	Feb 1989	621
Aug 1989	723	Jan 1989	700
Jul 1989	738	Dec 1988	669
Jun 1989	647	Nov 1988	650
May 1989	653		

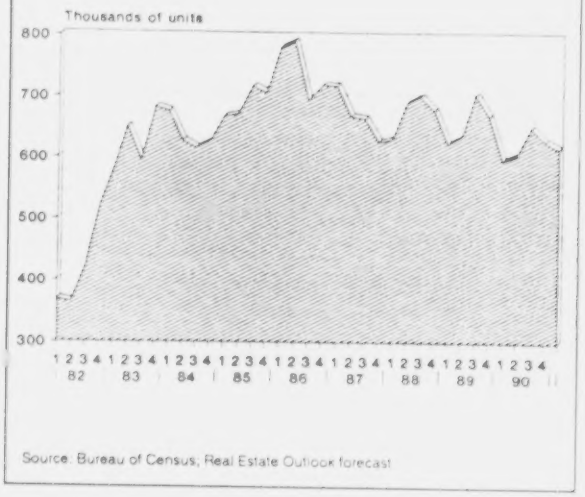
Nov 1989 Changes From:		Annual Totals:	
Oct 1989	9.6	1987	671
Nov 1988	9.2	1988	676

REGIONAL DATA

	Northeast	Midwest	South	West
Nov 1989	102	136	256	217
Oct 1989	94	110	277	167
Sep 1989	62	106	262	213
Aug 1989	90	101	294	239
Jul 1989	99	127	282	229
Jun 1989	73	99	259	215
Nov 1988	65	104	254	227
1988	102	97	276	202
1987	117	97	271	186
Nov 1989 Changes From:				
Oct 1989	8.5	23.6	-7.6	29.9
Nov 1988	56.9	30.8	0.8	-4.4

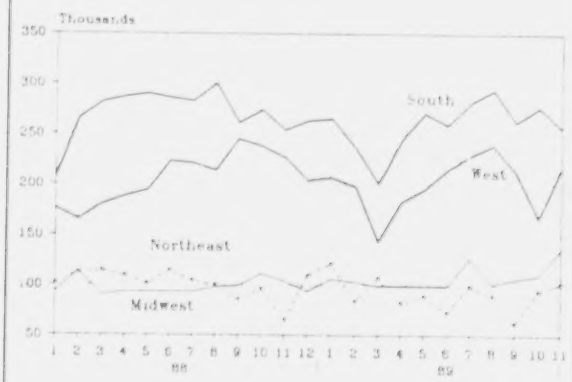
Source: Bureau of the Census; Construction Reports, Series C25

GRAPH 9: NEW HOME SALES



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 10: NEW HOME SALES BY REGION



Source: Bureau of Census

Sales of new single-family homes unexpectedly surged in November to an annual rate of 710 thousand homes, up 9.6% from the October annual rate of 648 thousand homes, and up 9.2% from the November 1988 pace of 650 thousand homes. The principal cause for the sudden strength in new home sales, appears to have been the availability of single-digit fixed rate mortgages. However, according to a monthly builder survey by the National Assn. of Homebuilders, builders are more pessimistic about the outlook for new housing in 1990, than they have been at any time in the past seven years. Results from the December report identified 41% of the builders surveyed as saying their expectations for sales were poor, up from 38% in November. Builders said they had become pessimistic because of concern over mortgage interest rates, federal economic policy, and a provision in the thrift bailout bill which restricts the amount of money a builder can borrow from a thrift. The findings of these surveys are often reflected in the next month's report on new home sales activity. Taken together, these factors seem to indicate that the unexpected surge in November sales was not the beginning of a full-scale rebound in housing. However, continued easing of credit by the Fed is expected to have a growing positive impact on housing market activity in the coming months.

By region, the annual rate of new single-family home sales increased 8.5% in the Northeast, 23.6% in the Midwest, and 29.9% in the West, but fell 7.6% in the South.

EXISTING SINGLE-FAMILY HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Nov	1989	3590	Apr 1989	3400
Oct	1989	3480	Mar 1989	3400
Sep	1989	3520	Feb 1989	3480
Aug	1989	3480	Jan 1989	3550
Jul	1989	3330	Dec 1988	3920
Jun	1989	3360	Nov 1988	3710
May	1989	3210		

Nov 1989 Changes From (%):		Annual Totals:	
Oct 1989	3.2	1988	3594
Nov 1988	-3.2	1987	3526

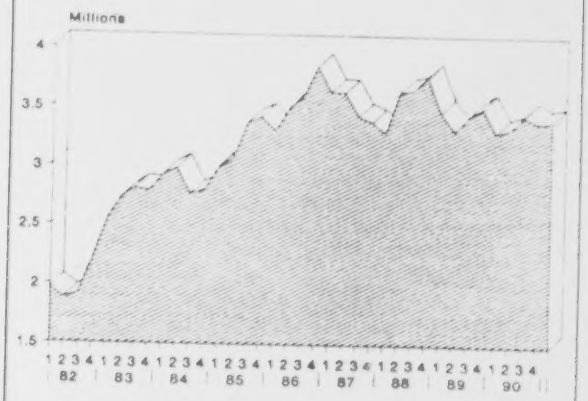
REGIONAL DATA

	Northeast	Midwest	South	West
Nov 1989	590	950	1420	640
Oct 1989	580	990	1300	620
Sep 1989	590	990	1340	590
Aug 1989	590	980	1350	550
Jul 1989	550	910	1300	570
Jun 1989	510	960	1280	600
Nov 1988	680	940	1410	680
1988	673	929	1350	642
1987	685	959	1282	600

Nov 1989 Changes From (%):				
Oct 1989	1.7	-4.0	9.2	3.2
Nov 1988	-13.2	1.1	0.7	-5.9

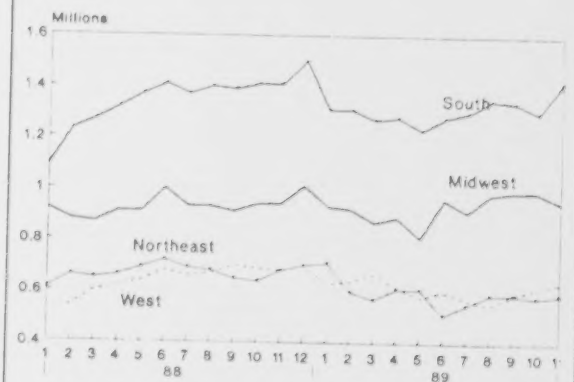
Source: NATIONAL ASSOCIATION OF REALTORS® Economics and Research Division

GRAPH 11: EXISTING HOME SALES



Source: NAR Economics & Research, Real Estate Outlook forecast

GRAPH 12: EXISTING HOME SALES BY REGION



Source: NAR Economics & Research

Sales of existing single-family homes reached a seasonally adjusted annual rate of 3.59 million units in November, up 3.2 percent from the October annual rate of 3.48 million units. The November rate of 3.59 million homes marks the fastest monthly sales rate during all of 1989. Still, the November pace was 3.2 percent slower than the 3.71 million unit annual rate of November 1988. Existing home sales appear to be benefiting substantially from the slide in mortgage interest rates that is expected to continue on into the third quarter of 1990. Lower mortgage rates also helped to improve housing affordability slightly in November. The NAR housing affordability index, which tracks monthly changes in homebuyers' purchasing power, climbed to 105.8 percent from 105.5 percent in October. This means, a family earning the national median income of $33,482 for November, had 105.8 percent of the income necessary to qualify for an 80% mortgage on an existing home priced at the national median of $93,000.

By region, existing single-family home sales rose in all regions except the Midwest. In that region, home sales dropped 4.0% in November, but remained 1.1% above November 1988. In the Northeast, home sales rose 1.8%, but were 13.2% below their November 1988 pace. In the South, home sales rose 9.2% to an annual rate of 1.42 million units, and were 0.8% above their year ago rate. In the West, home sales increased 3.2%, but slipped 5.9% below their year ago pace.

SINGLE-FAMILY HOME PRICES

(In Dollars)

NATIONAL DATA

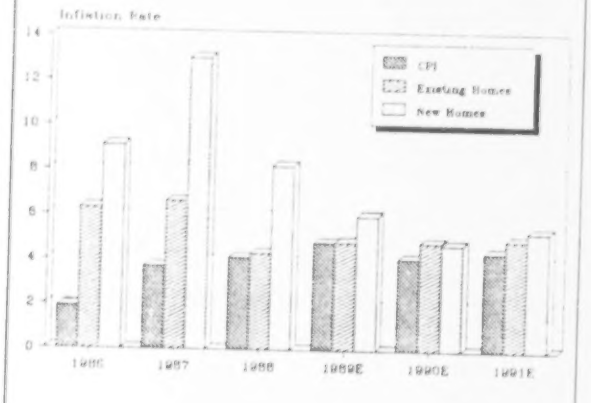
	Median		Average	
	Existing	New	Existing	New
Nov 1989	93,000	127,000	118,300	155,900
Oct 1989	92,600	123,000	117,200	147,600
Sep 1989	94,300	119,000	118,400	149,700
Aug 1989	94,800	122,900	120,800	158,600
Jul 1989	96,700	116,000	122,100	140,300
Nov 1988	88,500	110,400	112,400	137,300
1988	89,300	112,500	112,800	138,300
1987	85,600	104,500	106,300	127,200
Nov 1989 Changes From (%):				
Oct 1989	0.4	3.3	0.9	5.6
Nov 1988	5.1	15.0	5.2	13.5

REGIONAL DATA

	Northeast	Midwest	South	West
Nov 1989	145,800	70,900	82,400	150,200
Oct 1989	143,200	71,600	83,600	142,300
Sep 1989	145,700	72,200	84,400	147,600
Aug 1989	149,000	71,900	86,100	147,500
Jul 1989	147,100	73,400	87,200	146,500
Nov 1988	140,700	67,400	80,400	130,900
1988	143,000	68,400	82,200	124,900
1987	133,300	66,000	80,400	113,200
Nov 1989 Changes From (%):				
Oct 1989	1.8	-1.0	-1.4	5.6
Nov 1988	3.6	5.2	2.5	14.7

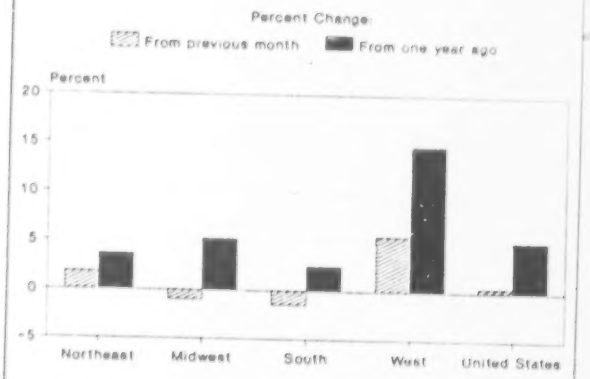
Source: NATIONAL ASSOCIATION OF REALTORS® Economics and Research Division

GRAPH 13: HOME PRICES



Source: Bureau of Census; E Real Estate Outlook forecast

GRAPH 14: HOME PRICES BY REGION



Source: NAR Economics & Research; Real Estate Outlook forecast

The median sales price of an existing single-family home rose modestly in November to $93,000, an increase of 0.4% from the October median price of $92,600. The November increase brought the 12 month advance in the median existing single-family home price to 5.1% from the November 1988 median price of $88,500. In the Northeast, the median price rose 1.8% in November, and was up 3.6% over the last 12 months. In the Midwest, the median price fell 1.0% in November, but was up 5.2% over the last 12 months. In the South, the median price fell 1.4% in November, and was up only 2.5% in the past 12 months. In the West, the median price shot up 5.6% in November alone to $150,200, which is 14.7% above the November 1988 median price of $130,900.

The median sales price of a new single-family home reached $127,000 in November, an increase of 3.3% from the October median price of $123,000. The November median price was 15% higher than the November 1988 median price for a new single-family home. However, new home prices are prone to wild fluctuations. For example, the November 1989 median price is only 5.0% higher than the December 1988 median price of $121,000.

Sean A. Burns
Director of Forecasting
Forecasting & Policy Analysis Division

U.S. ECONOMIC OUTLOOK

JANUARY 1990

	QUARTERS								YEARS				
	ACTUAL		FORECAST						ACTUAL		FORECAST		
	1989.2	1989.3	89.4	90.1	90.2	90.3	90.4	91.1	1987	1988	1989	1990	1991
AGGREGATE ECONOMY													
Gross National Product (billions of dollars)	5202	5281	5344	5417	5501	5584	5663	5755	4524	4881	5235	5541	5894
% Change	7.1	6.2	4.9	5.5	6.3	6.2	5.8	6.7	6.9	7.9	7.3	5.8	6.4
% Change (w/out inflation)	2.5	3.0	1.0	0.9	2.2	2.3	2.0	2.3	3.7	4.4	3.0	1.8	2.3
Consumer Price Inflation (CPI)	6.4	2.4	4.0	4.3	4.0	4.3	4.3	4.4	3.7	4.1	4.8	4.1	4.4
GNP Inflation (GNP Deflator)	4.6	3.2	3.7	4.6	4.0	3.8	3.8	4.2	3.1	3.3	4.2	4.0	4.0
Unemployment Rate - Civilian	5.3	5.2	5.4	5.5	5.6	5.6	5.6	5.6	6.2	5.5	5.3	5.6	5.6
Civilian Employment-Household Basis (millions)	117.3	117.5	117.7	117.9	118.1	118.4	118.7	119.0	112.4	115.0	117.4	118.3	119.6
Percent change	1.3	0.7	0.8	0.5	0.8	1.0	1.0	1.0	2.6	2.3	2.1	0.8	1.1
Index of Industrial Production	141.8	142.2	141.9	142.2	142.5	143.4	144.2	144.9	129.8	137.2	141.6	143.1	146.3
Manufacturing Capacity Utilization	84.4	84.0	82.9	82.7	82.3	82.6	82.8	82.8	81.0	83.5	83.9	82.6	82.9
Domestic Auto Sales	7.3	7.9	6.0	6.5	6.6	6.3	6.8	7.0	7.1	7.5	7.0	6.7	7.0
Federal Tax Receipts (NIPA) as % of GNP	20.2	19.8	19.9	20.4	20.5	20.5	20.5	20.5	20.1	19.9	20.0	20.4	20.5
Federal Expenditures (NIPA) as % of GNP	23.0	22.5	22.6	22.7	22.6	22.5	22.4	22.5	23.7	22.9	22.8	22.6	22.3
Deficit(NIPA)	-145.0	-144.0	-148.0	-127.0	-118.0	-114.0	-108.0	-113.0	-161.0	-145.0	-146.0	-117.0	-105.0
as % of GNP	-2.8	-2.7	-2.8	-2.3	-2.2	-2.0	-1.9	-2.0	-3.6	-3.0	-2.8	-2.1	-1.8
REAL ESTATE MARKETS													
HOME SALES													
Total Single-family Home Sales (thousands, single-family resales plus 97 percent of single-family starts)	4285	4408	4507	4340	4379	4512	4419	4413	4633	4649	4429	4413	4440
Percent change -- year ago	-8.2	-6.0	-7.5	-3.8	2.2	2.4	-2.0	1.7	-1.6	0.3	-4.7	-0.4	0.6
Existing Single-family Home Sales (thousands)	3323	3443	3516	3305	3339	3455	3389	3408	3512	3594	3440	3372	3450
Percent change -- year ago	-8.8	-6.0	-6.7	-5.0	0.5	0.3	-3.6	3.1	-1.4	2.3	-4.3	-2.0	2.3
Housing Starts (thousands)	1352	1337	1393	1440	1460	1497	1474	1454	1633	1494	1400	1468	1437
Percent change -- year ago	-8.4	-8.8	-10.6	-5.1	8.0	11.9	5.9	1.0	-9.8	-8.5	-6.3	4.9	-2.1
Single-Family Units	992	995	1022	1067	1072	1090	1061	1036	1156	1088	1020	1073	1020
Percent change -- year ago	-6.2	-6.1	-10.2	-0.2	8.0	9.5	3.8	-2.9	-2.2	-5.9	-6.3	5.2	-4.9
Multi-Family Units	359	342	370	372	388	406	413	417	477	406	380	395	417
2-4 Family Units	53	56	61	61	64	67	68	69	65	59	57	65	69
Percent change -- year ago	-8.1	-0.6	-6.0	4.1	21.3	19.0	11.4	12.1	-23.0	-9.5	-2.4	13.7	5.5
5 + Family Units	306	285	309	310	323	339	344	348	412	347	322	329	347
Percent change -- year ago	-15.0	-18.2	-12.9	-19.9	5.6	19.0	11.4	12.1	-24.4	-15.6	-7.2	2.3	5.5
New Single-family Home Sales (thousands)	636	705	669	597	607	651	629	616	673	677	659	621	649
Percent change -- year ago	-8.8	0.3	-1.9	-12.7	-4.6	-7.7	-6.0	3.2	-9.6	0.5	-2.6	-5.8	4.5
Mobile Homes Shipped (thousands)	201	185	178	177	180	182	181	181	232	217	195	180	182
HOME PRICES													
Existing Home Prices - Median $(1000)	93.0	95.3	93.2	94.6	97.0	99.5	99.7	101.4	84.9	88.9	93.2	97.7	103.4
Percent change -- year ago	4.6	5.7	6.6	5.4	5.3	4.4	5.5	5.4	5.8	4.7	4.8	4.8	5.0
New Home Prices - Median $(1000)	119.5	120.1	125.0	123.4	125.8	128.0	128.4	129.7	104.7	113.9	120.7	126.4	133.1
Percent change -- year ago	5.8	4.5	8.9	4.6	5.7	6.6	2.7	5.1	13.5	8.8	6.0	4.7	5.3
FINANCIAL MARKETS													
Long-Term Interest Rates													
30-year Fixed Rate Mortgage (FHA Secondary)	10.7	10.0	9.8	9.5	9.3	9.2	9.2	9.4	10.2	10.3	10.3	9.3	9.5
1-year ARM (effective rate)	9.7	9.3	8.8	8.6	8.5	8.4	8.4	8.5	8.5	8.5	9.3	8.5	8.6
Corporate AAA Bond Rate	9.5	9.0	8.9	8.6	8.5	8.3	8.3	8.4	9.4	9.7	9.3	8.4	8.6
Government Bond Rate	8.7	8.1	7.9	7.7	7.5	7.4	7.4	7.5	8.6	9.0	8.4	7.5	7.7
Short-Term Interest Rates													
Federal Funds Rate	9.7	9.1	8.7	8.1	7.7	7.7	7.7	7.9	6.7	7.6	9.2	7.8	8.0
3-month T-Bill Rate	8.4	7.8	7.7	7.2	6.9	6.9	6.9	7.0	5.8	6.7	8.1	7.0	7.1
Prime Rate	11.4	10.7	10.6	10.0	9.5	9.5	9.5	9.5	8.2	9.3	10.9	9.6	9.7
Discount Rate	7.0	7.0	7.0	6.6	6.5	6.5	6.5	6.5	5.7	6.2	6.9	6.5	6.5
Value of the U.S. Dollar (Trade-Weighted Avg.)	100.4	100.5	97.3	93.0	92.4	90.3	89.1	88.6	96.9	92.8	98.5	91.2	88.9
Percent change	19.7	0.4	-12.1	-16.5	-2.6	-8.7	-5.3	-2.2	-13.6	-4.3	6.2	-7.4	-2.6

Source: Forecast produced using Laurence H. Meyer and Associates' model of the U.S. economy.
Assumptions and simulations by Dr. John Tuccillo, Dr Frederick Flick, and Sean Burns.

The *Real Estate Outlook* features a monthly summary of current economic conditions, an easy-to-read forecast for the economy and real estate, and selected reports on issues affecting the housing industry. In addition, one of the Nation's top real estate economists, Dr. John Tuccillo, gives his commentary on the state of the economy and its implications for real estate markets. If you would like to subscribe to the *Real Estate Outlook*, contact the Forecasting and Policy Analysis Division at (202) 383-1131. The annual subscription fee is $25 for members of the NATIONAL ASSOCIATION OF REALTORS® and $30 for nonmembers.

REALTOR®

EQUAL HOUSING
OPPORTUNITY